

Methodology of the 2007 Property Tax Rebate Calculations

Per HEA 1001-2007, Section 300, the department of local government finance shall certify to the county auditor of each county the percentage that would apply in each taxing district to provide an additional 2007 homestead credit to taxpayers in the taxing district, using the best information available at the time the certification is made. This generally refers to the data submitted to the department per I.C. 36-2-9-20 and to the auditor of state per I.C. 6-1.1-22-5. Other current data includes certified homestead assessed values, tax rates, property tax replacement rates, and homestead credit rates, as well as output from a historical property tax model.

Using the most current available, a data series was assembled of the sum of the homestead credits given, by county, for taxes payable in 2007. This represents the homestead credit liability generated by a base rate of 18.4494%¹. Each county's homestead credit liability was divided by 18.4494% to calculate a liability per 1% base rate.

HEA 1001-2007 does not allow for additional funds to be distributed from the state if the certified rate generates a rebate liability greater than the certified additional homestead credit amount distributed to a particular county; the Act requires local units to absorb the difference. Alternatively, if the certified additional homestead credit amount exceeds the rebate liability, the funds must be returned to the state and used to increase the 2008 homestead credit. Therefore, an error margin was included to ensure that the rebate dollars reached taxpayers without imposing an additional cost on local units. The error margin is equal to 1% for counties with compliant data (66 counties). For counties for which certified assessed values and rates were the most current data, the error margin was increased to account for the allowable exclusion of assessed value during certification for protection against appeals (21 counties). For the remaining 5 counties, the error margin was set equal to the maximum to-date error margin between the historical model output and the submitted data for bills payable in 2007.

A county distribution amount per 1% base rate was calculated equal to the liability per 1% base rate calculated above times the sum of one and the error margin. The total appropriation of \$300,000,000 was divided by the sum of the county distribution amounts per 1% base rate to determine the additional homestead credit base rate that would generate a total statewide distribution equal to the appropriation. The base rate was multiplied by each county's distribution amount per 1% base rate to determine the certified additional homestead credit amount by county. The base rate was then used to calculate the certified rates by taxing district in a manner identical to the calculation of certified property tax replacement credit rates and homestead credit rates from the base rates.

¹ The statutory percentages found in I.C. 6-1.1-21 of 60% PTRC for school general fund, 20% PTRC for remaining non-debt levies, and 20% HSC were reduced to 55.3481%, 18.4494%, and 18.4494% respectively; these reductions were done according to Section 10 of HEA 1001-2005 in order to distribute the appropriation to the Property Tax Replacement Fund Board.